VERNON M. JOHN
CERTIFIED PUBLIC ACCOUNTANT

Portola Institute
Report of Balance Sheet Examination
August 31, 1971

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LOS ALTOS, CALIFORNIA 94022

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LOS ALTOS, CALIFORNIA 94022

TELEPHONE: (415) 948-1001

December 7, 1971

Portola Institute
540 Santa Cruz Avenue
Menlo Park, California 94025

Gentlemen:

I have examined the balance sheet of Portola Institute as at August 31, 1971. The examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other such auditing procedures as I considered necessary under the circumstances.

Based on such an examination, in my opinion, the accompanying balance sheet, and related divisional balance sheets, fairly presents the position of Portola Institute as at August 31, 1971 in conformity with generally accepted accounting principles.

Very truly yours,

Vernon M. John

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Exhibit 1

Portola Institute
Combined Balance Sheet
August 31, 1971

Assets

Current assets:		
Cash in banks and on hand		
Unrestricted	$ 179,588.33	
Restricted (Footnote 1)	7,332.52	$ 186,920.85
Accounts receivable		334,309.72
Due from employees		480.00
Inventories - (Footnote 2)		56,199.78
Prepaid expenses and deposit		2,322.24
Total current assets		580,232.59
Property - (Footnote 3)		
Furniture and equipment	26,694.56	
Less: Accumulated depreciation	996.50	25,698.06
Total Assets		$ 605,930.65

Liabilities and Surplus

Current liabilities:		
Accounts payable		$ 26,224.81
Accrued salaries		658.55
Commissions payable on catalog sales		29,452.80
Payroll withholding and other taxes payable		4,632.24
Customer subscription advances		8,562.00
Loans and notes payable		9,091.11
Equipment contracts payable		562.00
Unexpended grants (Footnote 1)		7,700.64
Total current liabilities		86,884.15
Long-term liability		
Loan payable to Richard Raymond		55,239.28
Total liabilities		142,123.43
Surplus		
Reserves for equipment replacements	$ 5,776.00	
Surplus (Footnote 4)	458,031.22	463,807.22
Total Liabilities and Surplus		$ 605,930.65

See Addendum

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Portola Institute
Combined Balance Sheet
August 31, 1971

Addendum to Combined Balance Sheet

Footnotes: (1) The following grants are unexpended as at August 31, 1971:

Rosenberg grant		$ 567.96
(For use on future video workshop projects)		
San Francisco Education Workshop grant		7,132.68
(For use as directed by the workshop)		
Total		$ 7,700.64
Restricted bank accounts:		
Rosenberg grant (Scripps)	$ 3.84	
San Francisco Education (Ortega Park)	7,328.68	7,332.52
Balance represented by deficit balance in Rosenberg grant of $564.12 less surplus in S.F. Education grant of 196.00		368.12

The deficit balance of the Rosenberg grant amounting to $564.12 has been eliminated since August 31, 1971 by disbursements for video workshop project from Portola Institute unrestricted funds.

(2) Inventories values are based on actual cost or fair market prices, whichever is the lower, with exception of the Whole Earth Truck Store inventory, values for which have been based on retail prices less estimated profit in the articles.

(3) Furniture and equipment is valued at actual cost or at estimated fair value based on marketability and future usage, whichever is lower. Accumulated depreciation is for purpose of recognizing wear and tear of property used in the Whole Earth Truck Store division's retail store operation.

(4) The Internal Revenue Service is presently reviewing the operations of the catalog division for purposes of determining possible income tax liability on the division's net income for current and past years. In opinion of attorney for Portola Institute, however, no such liability exists.

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Exhibit 2

Portola Institute
Central Administrative Division
(including A A Acme Art Academy)
Balance Sheet
August 31, 1971

Assets

Current assets:		
Cash in bank and on hand		
Unrestricted	$ 4,732.79	
Restricted (Footnote1)	7,332.52	$ 12,065.31
Accounts receivable		701.81
Due from Big Rock Candy Mountain division		13,584.07
Inventory - Supplies - (Footnote 2)		2,315.01
Prepaid expenses and deposit		1,641.37
Total current assets		30,307.57
Furniture and equipment - (Footnote 3)		14,538.17
Total Assets		$ 44,845.74

Liabilities and Surplus

Current liabilities:	
Loan payable to Roberta Downey	$ 4,000.00
Equipment contract payable	332.00
Accounts payable and accrued expenses	5,273.88
Payroll withholding and sales taxes	919.30
Note payable, interest at 8% annually due Whole Earth Catalog division	3,290.00
Unexpended grants (Footnote 1)	7,700.64
Total current liabilities	21,515.82
Long-term liability	
Loan payable to Richard Raymond	55,239.28
TotalLiabilities	76,755.10

Deficit		
Reserve for equipment replacement	$ 5,295.00	
Deficit	(37,204.36)	(31,909.36)
Total Liabilities and Deficit		$ 44,845.74

See Addendum

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Portola Institute
Central Administrative Division
(Including A A Acme Art Academy)
August 31, 1971

Addendum to Balance Sheet

Footnotes: (1) The following grants are unexpended as at August 31, 1971:

Rosenberg grant (For use on future video workshop projects)		$ 567.96
San Francisco Education Workshop grant (For use as directed by the workshop)		7,132.68
Total		$ 7,700.64
Restricted bank accounts:		
Rosenberg grant (Scripps)	$ 3.84	
San Francisco Education (Ortega Park)	7,328.68	7,332.52
Balance represented by deficit balance in Rosenberg grant of $564.12 less surplus in S. F. Education grant of 196.00		368.12

The deficit balance of the Rosenberg grant amounting to $564.12 has been eliminated since August 31, 1971 by disbursements for video workshop project from Portola Institute unrestricted funds.

(2) Inventory of supplies is valued at actual cost or at estimated fair value at August 31, 1971, whichever is lower.

(3) Furniture and equipment is valued at actual cost or at estimated fair value at August 31, 1971, whichever is lower.

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Exhibit 3

Portola Institute
Whole Earth Truck Store Division
Balance Sheet
August 31, 1971

Assets

Current assets:		
Cash in bank and on hand		$ 42,235.85
Accounts receivable		1,060.23
Due from employees		480.00
Inventories - (Footnote 1)		45,276.93
Prepaid expenses		680.87
Total current assets		89,733.88
Property (Footnote 2)		
Furniture and equipment	$ 4,712.39	
Less: Accumulated depreciation	996.50	3,715.89
Total Assets		$ 93,449.77

Liabilities and Surplus

Current liabilities:	
Accounts payable	$ 15,451.69
Customers' deposits	120.00
Due to Whole Earth Catalog Division	2,543.35
Accrued salaries payable	438.55
Accrued sales tax payable	3,077.94
Accrued California franchise tax payable	635.00
Total current liabilities	22,266.53
Surplus	71,183.24
Total Liabilities and Surplus	$ 93,449.77

Footnotes:

(1) Inventory values have been determined at actual cost or on the basis of retail store prices less estimated profit in the articles. Since they have been obsoleted, prior issues of the Whole Earth Catalog, or supplements, have been written-off, with exception of small residual amount in recognition of possible collectors' value.

(2) Furniture and equipment values are based on actual cost less accumulated depreciation assigned to wear and tear in the ordinary retail store operation.

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Exhibit 4

Portola Institute
Whole Earth Catalog Division
Balance Sheet
August 31, 1971

Assets

Current assets:		
Cash		
The Bank of California, N.A. - Commercial	$ 49,667.91	
Bay View Savings and Loan Association - Savings	82,382.99	$ 132,050.90
Accounts receivable		323,502.84
Due from Whole Earth Truck Store		2,543.35
Note due from Portola Institute central division		3,290.00
Inventory at cost		4,577.04
Total current assets		465,964.13
Furniture and equipment (Footnote 1)		6,000.00
Total Assets		$ 471,964.13

Liabilities and Surplus

Current liabilities:	
Accounts payable	$ 137.54
Accrued salaries	220.00
Accrued commissions payable on catalog sales	29,452.80
Total current liabilities	29,810.34
Surplus (Footnote 2)	442,153.79
Total Liabilities and Surplus	$ 471,964.13

Footnotes: (1) Furniture and equipment have been valued at the lower of either actual cost or a fair and reasonable value based on future usage and marketability as at August 31, 1971.

(2) The Internal Revenue Service is presently reviewing the operations of the catalog division for purposes of determining possible income tax liability on the division's net income for current and past years. In opinion of attorney for Portola Institute, however, no such liability exists.

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Exhibit 5

Portola Institute
Big Rock Candy Mountain Division
Balance Sheet
August 31, 1971

Assets

Current assets:		
Cash in bank		$ 568.79
Accounts receivable		9,044.84
Inventories - (See footnote)		
Catalogs	$ 3,402.40	
Supplies	628.40	4,030.80
Total current assets		13,644.43
Furniture and Equipment - at cost		1,444.00
Total Assets		$ 15,088.43

Liabilities and Deficit

Current liabilities:		
Advances payable to Portola Institute central division		$ 13,584.07
Note payable to the Bank of California, N.A.		5,091.11
Equipment contract payable		230.00
Accounts payable		5,361.70
Subscriptions paid in advance		8,442.00
Total current liabilities		$ 32,708.88
Deficit		
Reserve for equipment replacement	$ 481.00	
Deficit	(18,101.45)	(17,620.45)
Total Liabilities and Deficit		$ 15,088.43

Footnote: The inventory has been valued at the lower of either actual cost or estimated fair market value, based on estimated future sales of catalogs. Only the catalog issue of the summer of 1971 has been valued, since any prior issues on hand have become obsoleted due to a forthcoming issue consolidating all of them.